

# **Fiscal Study Committee**



## **Interim Report**

November 13, 2006

**Report of the Shrewsbury Fiscal Study Committee  
Executive Summary**

**Fiscal Study Committee  
Interim Report of the Revenue Sub-Committee  
Executive Summary  
Monday, November 13, 2006**

The Revenue Sub-committee of the Shrewsbury Fiscal Study Committee is comprised of the following town residents:

Tom Fiore	Gene Buddenhagen	Andrew Carlson
Martha Deering	Michael Filiere	Nancy Gilbert
William Gooley	James Kane	Jonathan Mack
Judy Merriman	Greg Riedel	Carol Swydan
Walter Thomas	Michael Vescere	Virginia Winship

**The revenue sub-committee is charged with:**

1. Examining and reporting on all current sources of Town revenue.
2. Examining and reporting on additional sources of Town revenue, and
3. Developing specific recommendations, as warranted, for each of the areas reviewed.

**Summary Findings**

As of the date of this interim report, the committee has reached the following summary findings. These findings are preliminary and may be adjusted in the final report based on work still to be performed by the committee and input received during the upcoming public hearing:

**Revenue Collection:** The Committee believes the Town collects revenues well. The Town applies a single rate for both commercial and residential real estate taxes with the residential tax base representing approximately 88% of all real estate taxes collected. The town is actively looking to expand its commercial tax revenue base in accordance with the Master Development Plan, the formation of the Shrewsbury Development Corporation to develop the “Allen Property” and, most recently, the recommendation to rezone certain land along Route 9 accepted at the September 2006 Town Meeting. Taxes appear to be collected in a timely fashion and delinquent taxes are minimal.

**Fee Implementation and Philosophy:** The Town has implemented fees for certain services. Although the Town’s historical practice has been that the cost of most services would be covered by general tax receipts, fees are now an important component of total revenues (See section F.3.a. below). The Committee recognizes that certain fees have been increased recently to better match the fee charged to related cost. The Committee believes that more work needs to be performed by the Town to ensure that fees charged

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cover the desired percentage of actual costs incurred. In addition, the Committee believes the Town should provide residents an understanding of how certain fees are established including the targeted percentage of related costs the fees are designed to recoup.

**State Aid – A Two Edged Sword:** The Town collects a significant portion of its revenues from traditional state aid and education aid under Chapter 70. The committee recognizes the volatility of the amount of state aid received each year and the pressure it places on preparing and managing the Town’s annual budget. The Committee recognizes the Town actively pursues all ad hoc State funding opportunities to supplement Town revenues. A most recent significant example of this being State reimbursement for a large percentage of Town school construction costs.

**Grant Seeking Focus:** The Committee believes the Town may benefit from the addition of a dedicated staff person specifically assigned to identify and apply for State, Federal and private grant programs.

**Unique Revenue Streams:** The Committee recognizes that the Town generates revenues from atypical sources such as the Town’s Light and Cable Operations and Coal Ash Disposal Facility. The committee believes that the Town has maximized the revenue potential of these operations.

**Investment Philosophy and Methodology:** The Committee believes that Town funds are well managed. The Town employs a professional Treasury Management function to invest funds prior to use. Returns on these “capital risk-free” investments are highly competitive and provide significant interest income to the Town.

**Municipal Budgeting and Forecasting:** Finally, the Committee believes the Town’s budgeting and forecasting function works well to identify significant issues in advance of their impacting Town operations as evidenced by the Town’s analysis and response to the pending significant increase in trash disposal costs (See Section F.3.b. below).

**On a preliminary basis, the committee believes that the Town has maximized revenues from existing sources. Opportunities for additional revenues from underdeveloped sources do exist (e.g. increased commercial tax base); however, should the Town require additional revenues the most likely source will be from residential real estate taxes and/or fees.**

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**Expenditures Sub-Committee Executive Summary  
Interim Report of the Shrewsbury Fiscal Study Committee**

**November 13, 2006**

The Expenditures Sub-Committee is tasked to investigate and report on all expenditures that significantly impact the Town's fiscal condition for the five (5) year period beginning July 1, 2006. The Sub-Committee, which has met regularly since the Fiscal Study Committee (FSC) was formed in June, 2006, has used the following scope of work to guide its efforts.

## **Scope of Work**

1. To examine and report on all personnel operating and fixed cost charges both discretionary and mandated.
2. To examine and report on all capital and facility needs for the study period.
3. To present findings as warranted for each of the study areas listed above.

At the first meeting of the Fiscal Study Committee, the Expenditure Sub-Committee identified and discussed major expenditure areas and determined that efforts would be focused on expenditures that have a significant impact on the fiscal health of the Town. To that end, the Sub-Committee organized into four Sub-Groups to conduct research and analysis in four major expenditure areas:

- 1. 5-Year Trend Analysis and Forecasting**
  - a. 5-Year Historical View of Town Expenditures
  - b. 5-Year Projection of Future Expenditures
- 2. Human Resources**
  - a. Employee Benefits
  - b. Retiree Benefits
  - c. Health Insurance
  - d. Pension Programs/Investment Strategy
  - e. Salaries and Salary Structures
- 3. School Department**
  - a. School Expenditures
  - b. School Expense Trends
  - c. Examination of Shrewsbury's Socioeconomic Position
  - d. Cost Containment Strategies
- 4. Capital Expenditures including Bonded Debt**
  - a. Consideration of Bonded Debt Cap
  - b. Alternative Financing Strategies (i.e. lease vs. buy)

The Sub-Committee has worked diligently during the past several months. The first phase of our work has been focused on data collection and research. Data was collected

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**Executive Summary**

from a variety of sources including the Town Manager's office, the School Department Central Office, Town third-party advisors and consulting firms, Department of Revenue, and municipal and subject-related resources available on the Internet. Sub-Committee members also conducted interviews with key individuals from various town and school departments.

A summary of the Sub-Committee's work to-date and any preliminary findings can be found in the ***Interim Report of the Expenditures Sub-Committee of the Shrewsbury Fiscal Study Committee***. This report was distributed to Town Meeting members and it is also available on the Town website. We encourage the community to read this report to review the committee's work but also to gain a greater understanding of the strategy, policies and procedures, issues and concerns that Town leadership must consider as they endeavor to maintain the quality level of services our community has come to expect within budget constraints.

We also invite you to attend the Public Hearing where you will have the opportunity to provide your thoughts and feedback regarding the Fiscal Study Committee's course of action as well as topics for the Committee to consider in the next phase of this study.

**Report of the Shrewsbury Fiscal Study Committee  
Revenues Subcommittee**

**Interim Report of the Revenue Sub-committee  
Of the Shrewsbury Fiscal Study Committee**

November 10, 2006

The following members of the Revenue Sub-committee of the Shrewsbury Fiscal Study Committee are pleased to present their interim report.

Tom Fiore	Gene Buddenhagen	Andrew Carlson
Martha Deering	Michael Filiere	Nancy Gilbert
William Gooley	James Kane	Jonathan Mack
Judy Merriman	Greg Riedel	Carol Swydan
Walter Thomas	Michael Vescere	Virginia Winship

**A. Committee Purpose**

To investigate and report on all issues involving the Town's fiscal condition for the five (5) year period beginning July 1, 2006.

**B. Revenue Sub-committee Scope of Work:**

1. Examine and report on all current sources of Town revenue.
2. Examine and report on additional sources of Town revenue.
3. Develop specific recommendations (as warranted) for each areas studied in 1. and 2. above.

**C. Committee Meetings**

The Revenue Sub-committee met on each of the following dates. Meeting minutes are attached as Exhibits to this Report.

June 13, 2006	July 13, 2006	August 17, 2006
September 14, 2006	October 5, 2006	October 12, 2006
October 26, 2006		

**Report of the Shrewsbury Fiscal Study Committee  
Revenues Subcommittee**

**D. Summary Findings**

As of the date of this interim report, the committee has reached the following summary findings. These findings are preliminary and may be adjusted in the final report based on work still to be performed by the committee:

**Revenue Collection:** The Committee believes the Town collects revenues well. The Town applies a single rate for both commercial and residential real estate taxes with the residential tax base representing approximately 88% of all real estate taxes collected. The town is actively looking to expand its commercial tax revenue base in accordance with the Master Development Plan, the formation of the Shrewsbury Development Corporation to develop the “Allen Property” and, most recently, the recommendation to rezone certain land along Route 9 accepted at the September 2006 Town Meeting. Taxes appear to be collected in a timely fashion and delinquent taxes are minimal.

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**State Aid – A Two Edged Sword:** The Town collects a significant portion of its revenues from traditional state aid and education aid under Chapter 70. The committee recognizes the volatility of the amount of state aid received each year and the pressure it places on preparing and managing the Town’s annual budget. The Committee recognizes the Town actively pursues all ad hoc State funding opportunities to supplement Town revenues. A most recent significant example of this being State reimbursement for a large percentage of Town school construction costs.

**Grant Seeking Focus:** The Committee believes the Town may benefit from the addition of a dedicated staff person specifically assigned to identify and apply for State, Federal and private grant programs.

**Unique Revenue Streams:** The Committee recognizes that the Town generates revenues from atypical sources such as the Town’s Light and Cable Operations and Coal Ash Disposal Facility. The committee believes that the Town has maximized the revenue potential of these operations.

**Investment Philosophy and Methodology:** The Committee believes that Town funds are well managed. The Town employs a professional Treasury Management function to

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Revenues Subcommittee**

invest funds prior to use. Returns on these “capital risk-free” investments are highly competitive and provide significant interest income to the Town.

**Municipal Budgeting and Forecasting:** Finally, the Committee believes the Town’s budgeting and forecasting function works well to identify significant issues in advance of their impacting Town operations as evidenced by the Town’s analysis and response to the pending significant increase in trash disposal costs (See Section F.3.b. below).

On a preliminary basis, the committee believes that the Town has maximized revenues from existing sources. Opportunities for additional revenues from underdeveloped sources do exist (e.g. increased commercial tax base); however, should the Town require additional revenues the most likely source will be from residential real estate taxes and/or fees.

**E. Revenue Sub-committee Focus:**

The Revenue Sub-committee has focused to identify and define revenue issues seen as most pressing to the Town that are within the scope of the charge of the committee and identified by the committee members as relevant to the Town taxpayers.

These issues include:

1. Understanding all existing revenue sources
2. Evaluating property taxes
3. Understanding options to increase revenue through means other than the residential property tax
  - i. Fee revenue generation (while recognizing alternative arguments to additional fees)
  - ii. Fee setting power – state, local, board of selectmen, etc
  - iii. Facility Use Fees
4. Town Treasury Management
5. Understanding “grants” as a means to supplant revenue needs
6. Expanding, enhancing and retaining the existing non-residential tax base
7. Understanding the need for and implications of a 5 year revenue plan
8. Understanding the need to match projected expenditures with projected revenues and evaluate funding options available
9. Understanding the costs of providing services and equating the funding levels provided by the property tax, fees and other funding sources
10. Considering the existing funding relationship between the state and its municipalities and the resulting over reliance on the property tax to fund local education and services and further considering the policy’s implications on land use planning and economic competitiveness.

**Report of the Shrewsbury Fiscal Study Committee  
Revenues Subcommittee**

**Analysis**

**1. Understanding all existing revenue sources**

To ensure that all members started with the same framework of information and understanding in regards to the Town's existing revenue sources, the committee reviewed the following summary revenue information from the Town's fiscal 2006 budget report

Estimated Revenues	Amount (\$ 000's)	Percentage
Taxation (residential and commercial)	\$43,723,000	<b>52.5%</b>
State Aid, net	19,794,000	<b>23.7%</b>
Fees	10,388,000	<b>12.5%</b>
Specific Use Fees (e.g. water, sewage, etc.)	5,127,000	<b>6.2%</b>
Free cash and other transfers	3,253,000	<b>3.9%</b>
Town Light and Cable	762,000	<b>0.9%</b>
Other	297,000	<b>0.4%</b>
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Total	\$83,344,000	<b>100.0%</b>

**2. Evaluating property taxes**

[To be completed in final report]

**3. Understanding options to increase revenue through means other than the residential property tax.**

The Committee created smaller working groups to examine the following issues:

**a. Town Department Fees**

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Revenues Subcommittee**

The Committee reviewed an analysis of fee receipts noting that actual Town fees collected totaled \$11,971,000 versus the estimate of \$10,388,000 noted above. A summary of fees follows:

Fees	Amount (\$ 000's)	Percentage
Auto Excise	\$4,688,000	39.2%
Water	2,840,000	23.7%
Investment Income (see Section 4. of this Report)	1,127,000	9.4%
Licenses and Permits	1,238,000	10.3%
Ash Disposal	580,000	4.8%
Other (no single item greater than \$300,000)	1,499,000	12.6%
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Total	\$11,972,000	100.0%

Committee members Martha Deering and Nancy Gilbert coordinated an analysis of fees. Summary information of fees by department including the amount of fees collected, the basis for the fee, and a comparison of fees collected to the actual costs incurred by the Town in providing fee related services was reviewed.

Through this review and conversations with Department personnel, the following observations were noted:

- The analysis demonstrated the challenge of completely cataloguing the various fees given the decentralized fee setting authority
- Due to the Town's disparate information systems, information could not be collected in a standardized manner nor compared to related costs.
- The several departments that set fees may retain those revenues to defray operating costs while other fees flow to the general fund.

**b. Sanitation fees**

Committee member William Gooley met with the Director of Public Health, Nancy Allen, to discuss the situation relating to Town rubbish disposal.

On January 1, 2008, a new rubbish disposal contract with Wheelabrator will begin. Disposal costs will increase from the current \$37.33/ton to \$70.50/ton. Consequently, disposal costs will approximately double from about \$419,000/yr to about \$811,000/yr and will continue to increase at a negotiated rate thereafter.

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Director Allen, working with her Board, the Town Manager, and other appropriate bodies, has researched and proposed a Pay As You Throw (PAYT) trash disposal fee program to meet this need. When combined with revenue from the Town landfill, the proposed program would generate sufficient revenue to cover the costs of trash and recycling collection and disposal.

**c. Special Use Fees-Water and Sewer Accounts**

[To be completed in final report]

Water and Sewer - extensive conversation focused on the sewer and water funds and if a revolving fund model was a more appropriate financial structure to formalize the town's past practice of using such funds to related infrastructure improvements.

**d. Town Light And Cable**

Committee members Gene Buddenhagen, Michael Vescere and Walter Thomas met with Thomas Josie, General Manager, to discuss the operations of the Shrewsbury Cable/Phone/Internet ("Cable") and Light Companies.

This subcommittee reported that the Cable and Light Companies are independent entities that are wholly owned by the Town. In lieu of taxes, each Company remits an amount to the Town each year based on the following formula:

Light:	\$30,000 per year and 10% of the Company's December 31 <sup>st</sup> cash balance each year.
Cable:	<u>5% of annual gross revenues plus (\$0.50 x the number of subscribers).</u> <u>\$454,691 for FY2007</u>

From a Town revenue perspective, Mr. Josie believed these payments represented an appropriate level of contribution to the Town while providing each Company the appropriate level of operating cash to fund ongoing operations and required future investments.

Mr. Josie informed the subcommittee that the opportunity to provide additional revenues to the Town was highly limited. In fact, future year transfers to the Town may be under pressure to be lowered to fund investments required to respond to competitive customer pricing pressures and the requirement to continue to make investments to provide enhanced competitive products and services (e.g. VOIP). In addition, Mr. Josie also pointed out that any annual cash payment may be adversely affected by extraordinary infrastructure repairs due to severe weather (e.g. ice, wind damage to connection lines).

The Committee discussed the two companies' contribution to Town revenues and the tangible and intangible benefits these operations provide the Town. These benefits

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include, among others, free Internet services to Town offices and the School System and access to and broadcasting on the dedicated Town TV stations.

The Committee concluded that the Cable and Light Companies represent good sources of recurring revenue for the Town and that the opportunity for the town to receive additional revenues from these operations was limited.

**e. Special Use Fees-Sealer of Weights and Measures**

Committee member William Gooley met with the Sealer of Weights and Measures, Jack Knipe, who provided fee schedules, service summaries, and a chart of sealing fees for 40 towns. Shrewsbury ranks at or near the top for most fees (excluding Worcester and Springfield). Fees were last adjusted in 2001, updating the schedule from 1982.

A fee is charged to verify the accuracy of weighing and measuring devices such as yardsticks and tapes, gasoline and oil pumps, and grocery and apothecary scales. The fees range from \$1.00 to \$100.00 per device. There are 26 businesses in Town with devices requiring this service. These include grocery and drug stores, delicatessens, candy stores, pet shops, and gasoline stations.

Income from these fees is relatively stable from year to year. While there is room to update these fees, no reasonable increase will have a material impact on total fees collected. Fees can be revised to continue to cover the cost of providing these services, as they do at present.

**4. Town Treasury Management**

Committee members Carol Swydan and Jonathan Mack met with Bartholomew and Company Incorporated to discuss the Treasury Management of Town funds. Presenting at the meeting was Bartholomew & Company Incorporated. Thomas Bartholomew(president), Joshua Paul ( Vice President), Charles Patterson ( Vice President), and Carolyn Marcotte(Town Treasurer) Bartholomew & Co invests the town's general /Operating funds, trust funds and school bond accounts

The investment strategy involves rolling balances of free cash on a short-term basis. A review of the Town's portfolio as of July 18, 2006 was presented and involved the Town's operating fund, fixed income fund, trust fund, middle school west and the school bond account. The Town is invested in capital risk-free, highly-liquid investments. The average duration for all investments is 2 years with many being as short as 3 months and

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others being longer to lock in higher yields. On a consolidated basis, the Town was earning 5.5 % on approximately \$27,900,000, as of July 19, 2006.

The Town has realized investment income over the past 5 years as follows.

2006	\$ 1,126,738
2005	\$ 932,675
2004	\$ 1,229,491
2003	\$ 1,561,044
2002	\$ 980,007

**5. Understanding “grants” as a means to supplant revenue needs**

Committee members Andrew Carlson and Judy Merriman met with Town Manager Daniel Morgado and Assistant Manager Michael Hale to discuss the Town’s procedures for accessing available grants.

A historical overview was presented regarding the evolution of obtaining grants, and how those conditions from the 1970’s had changed. Obtaining grants was far easier thirty years ago as both State and Federal Monies for many areas of municipal life were more plentiful, and the only requirement was a written request. Two areas of money are still available to some extent: public works monies and special earmarks. However, there are few grants that do not have conditions attached, and sometimes these conditions can have unintended consequences. (Mr. Morgado noted that an article on the warrant for the upcoming Special Town Meeting would involve returning grant money to the State because the terms of accepting it would mean the Town would lose money in the end.) They both noted that grants accounted for approximately 4-5% of revenues in Fiscal 2006.

In the Town, department heads have typically known what grants are available and have been responsible for obtaining them. Additionally, Mr. Morgado and Mr. Hale also seek them, and they receive information about them from numerous sources, such as our political representatives in Boston and Washington.

When asked about more aggressively seeking grant monies, they noted that the Town could indeed become more aggressive in this area. Mr. Morgado noted, however, that a possible drawback to this approach was that the Town might be getting “into businesses you don’t know”, and thus getting away from the essential tasks of town governance.

It should be noted that the entire committee discussed this perspective and that a majority of those participating believed that, as grants essentially mean “free money,” and that they were plentiful, that the Town should be more involved in seeking them.

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Revenues Subcommittee**

**6. Expanding, enhancing and retaining the existing non-residential tax base**

a. [To be completed in final report]

**b. Sale of Town owned land**

Committee member Carol Swydan met with Town Manager Daniel Morgado and Town Engineer Jack Perrault for the purpose of understanding what commercially zoned property owned by the town could be sold for revenue and to increase the commercial tax base.

In addition to the Allen Farm property, two parcels were identified:

1. A small parcel adjacent to Centech Park that may be of value in coming years as the Park is developed
2. Two small parcels at Rte 9 and Fruit Street that may become attractive to a larger re-development of the nearby private property holdings.

Private purchase of these parcels and resulting transition to the commercial tax base will be market driven and most likely as part of a larger real estate development.

In regards to tax title properties, Carolyn Marcotte, Town Treasurer, provided a list of Tax Title Accounts and Foreclosed Properties. Tax Title Accounts are properties that are in tax arrears for a variety of reasons. The Treasurer's Office works with these accounts to settle the balance owed. Foreclosed properties consist of pieces of land that builders are turning over to the town as open space and for one reason or another, do not pay the balance of the tax owed. Such properties transition to town owned status over time and often as a component of Planning Board permitting process. The Committee believes that when taken collectively these properties are immaterial to total town real estate and are managed appropriately.

**7. Understanding the need for and implications of a 5 year revenue plan**

[To be completed in final report]

**8. Understanding the need to match projected expenditures with projected revenues and evaluate funding options available**

[To be completed in final report]

**Report of the Shrewsbury Fiscal Study Committee  
Revenues Subcommittee**

**9. Understanding the costs of providing services and equating the funding levels  
provided by the property tax, fees and other funding sources**

[To be completed in final report]

**10. Considering the existing funding relationship between the state and its  
municipalities and the resulting over reliance on the property tax to fund local  
education and services and further considering the policy's implications on land  
use planning and economic competitiveness.**

[To be completed in final report]

**Report of the Shrewsbury Fiscal Study Committee  
Expenditures Subcommittee**

**Interim Report of the Expenditures Sub-Committee of the  
Shrewsbury Fiscal Study Committee**

November 13, 2006

The following members of the Expenditure Sub-Committee of the Shrewsbury Fiscal Study Committee are pleased to present their interim report.

Mary K. Alexander	Paul Keegan
Andrew Carlson*	Kathleen Keohane
Peter Collins	Stan Koch
Richard Czerniak	John Lukach
Maurice DePalo	Moirra Miller
Alicia Howe	Dina Nichols
Jim Kane*	Deborah Peebles

\* Serves on Expense and Revenue Committees

**A. Committee Purpose**

To investigate and report on all expenditures which significantly impact the Town's fiscal condition for the five (5) year period beginning July 1, 2006.

**B. Expense Sub-Committee Scope of Work**

1. Examine and report on all personnel operating and fixed cost charges both discretionary and mandated.
2. Examine and report on all capital and facility needs for the study period.
3. Present findings as warranted for each of the study areas listed above.

**C. Subgroup Meetings**

The Expenditures Sub-Committee met on each of the following dates.

June 13, 2006	June 29, 2006	July 13, 2006
August 17, 2006	September 14, 2006	September 28, 2006
October 5, 2006	October 12, 2006	October 26, 2006
November 2, 2006	November 9, 2006.	

**D. Expenditure Sub-Committee Focus**

The Expenditure Sub-Committee's primary focus is to identify and examine expense issues that appear to have a significant impact on the fiscal health of the Town and address them as defined in the committee's original charge.

The Sub-Committee is organized into four Sub-Groups to conduct research and analysis in the following major expenditure areas:

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Expenditures Subcommittee**

- 1. 5-Year Trend Analysis and Forecasting**
  - a. 5-Year Historical View of Town Expenditures
  - b. 5-Year Projected Expenditures
- 2. Human Resources**
  - a. Employee Benefits
  - b. Retiree Benefits
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- 3. School Department**
  - a. School Expenditures
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  - d. Cost Containment Strategies
- 4. Capital Expenditures including Bonded Debt**
  - a. Consideration of Bonded Debt Cap
  - b. Alternative Financing Strategies (i.e. lease vs. buy)

**E. Summary Findings**

*Note: The report to follow is a collection of independent reviews by Sub-Committee members. At this interim phase it does not necessarily reflect the collective perspective of the entire Expense Sub-Committee.*

**1. 5-Year Trend Analysis and Forecasting**

The current members of the Trends and Forecasting Sub-Group include Mary K. Alexander, Richard Czerniak and Stan Koch.

Introduction

This subcommittee is tasked to examine and analyze town expenditures with the goal of identifying past and future high growth areas within a five-year window.

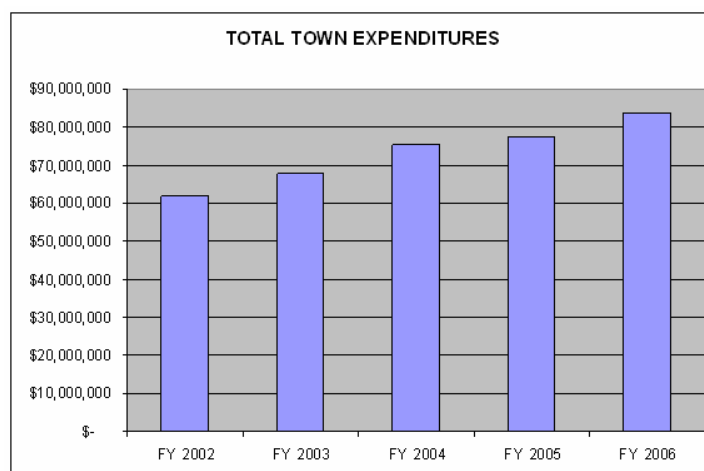
Methodology

Expenditure data has been provided by the town manager and represents the total of expenditures in various categories for the past five years.

Past Five Year Analysis

The total of town expenditures for FY2006 ending on June 30, 2006 was \$83,549,523, an increase of 7.9% over the FY2005 and a 34.7% increase over the past five years. This data represents actual expenditures made by the town and differs from the budgetary data contained in the town meeting reports. The growth over the past five years is shown in graphical and tabular form in the following chart:

**Report of the Shrewsbury Fiscal Study Committee  
Expenditures Subcommittee**



The table shows total expenditures for each of the past five years and also shows the annual increase first as a dollar amount and then as a percentage of the previous year. The table also shows in the last two columns the increase in expenditures over the past five years.

Total Town Expenditures (Actual in Millions of Dollars)							
	FY02	FY03	FY04	FY05	FY06	FY02-06 Increase	% Increase
<b>Total Town Expenditures</b>	<b>\$62.0</b>	<b>\$67.7</b>	<b>\$75.2</b>	<b>\$77.5</b>	<b>\$83.5</b>	<b>\$21.5</b>	<b>34.7%</b>
Annual Dollar Increase	-	\$5.7	\$7.5	\$2.2	\$6.1		
Annual Percent Increase	-	9.2%	11.1%	3.0%	7.9%		

The total of town expenditures can be further broken down into three high level categories that match those used in the town meeting report. The first category is the Operating Budget and is composed of the following components and their descriptions:

1. General Government – includes salaries for the town manager, town clerk, town counsel, and expenses for public buildings including schools.
2. Public Safety – includes police, fire, and building inspectors.
3. Retirement – covers retirement contributions for all town employees.
4. Public Works – includes the town engineering, highway, sewer, water, and cemetery departments.
5. Human Services – covers the health department, council on aging, and veteran benefits.
6. Culture and Recreation – includes the library and parks and recreation expenditures.
7. Schools – includes all staff and teacher salaries, contractual services, transportation expenses, and educational expenses.

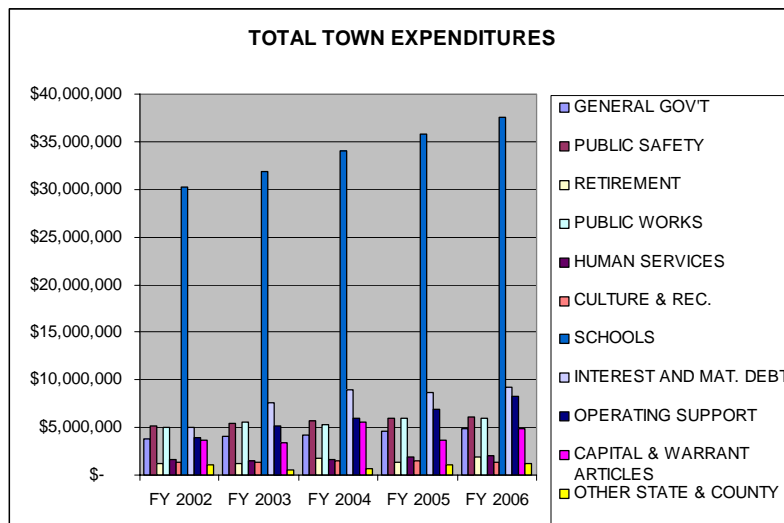
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Expenditures Subcommittee**

8. Interest and Maturing Debt – includes interest and principal payments on debts incurred for school construction, land acquisition, cable service, and electrical service.
9. Operating Support – covers group health and life insurance, unemployment compensation, Medicare payments, general insurance, and ambulance service.

The second category contains capital budget items and warrant articles. Capital budget items typically include large expenditures for items such as trucks and fire equipment. Warrant articles typically cover construction items such as water main repairs and street renovations.

The third category is named Other State and County and includes state and county charges, overlay charges, and cherry sheet offset charges.

These three categories comprise the Total Town Expenditures for each year. All of the categories and their components expenditures are shown for each year with the last two columns showing the total dollar increase and percent increase for the past five years. This breakdown is shown in graphical and tabular form.

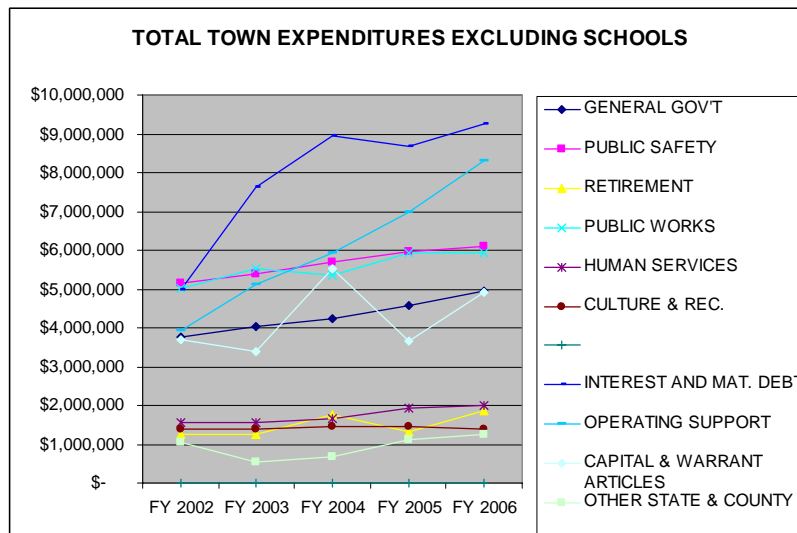


The largest dollar increase was in Schools at \$7.4M followed by Operating Support at \$4.3M, and Interest and Maturing Debt at \$4.2M. The largest percent increase was in Operating Support reflecting health insurance increases at 110% over the past five years. Next largest increase was Interest and Maturing Debt at 84.9% followed by Retirement at 50.4%.

**Report of the Shrewsbury Fiscal Study Committee  
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<b>Total Town Expenditures</b> (Actuals in Millions of Dollars)							
	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY02-06 Increase</b>	<b>% Increase</b>
Operating Budget							
General Government	\$3.8	\$4.0	\$4.2	\$4.6	\$4.9	\$1.2	<b>31.6%</b>
Public Safety	\$5.2	\$5.4	\$5.7	\$6.0	\$6.1	\$0.9	<b>18.4%</b>
Retirement	\$1.2	\$1.2	\$1.8	\$1.3	\$1.9	\$0.6	<b>50.4%</b>
Public Works	\$5.0	\$5.5	\$5.3	\$5.9	\$5.9	\$0.9	<b>18.4%</b>
Human Services	\$1.6	\$1.6	\$1.7	\$1.9	\$2.0	\$0.4	<b>27.5%</b>
Culture and Recreation	\$1.4	\$1.4	\$1.5	\$1.5	\$1.4	\$0.0	<b>0.9%</b>
Schools	\$30.2	\$31.9	\$34.0	\$35.9	\$37.6	\$7.4	<b>24.4%</b>
Interest and Maturing Debt	\$5.0	\$7.6	\$9.0	\$8.7	\$9.2	\$4.2	<b>84.9%</b>
Operating Support	\$3.9	\$5.1	\$5.9	\$7.0	\$8.3	\$4.3	<b>110.1%</b>
Capital Budget & Warrant Articles	\$3.7	\$3.4	\$5.5	\$3.7	\$4.9	\$1.2	<b>33.1%</b>
Other State and County	\$1.1	\$0.6	\$0.7	\$1.1	\$1.3	\$0.2	<b>20.5%</b>
<b>Total Town Expenditures</b>	<b>\$62.0</b>	<b>\$67.7</b>	<b>\$75.2</b>	<b>\$77.5</b>	<b>\$83.5</b>	<b>\$21.5</b>	<b>34.7%</b>
Annual Dollar Increase	-	\$5.7	\$7.5	\$2.2	\$6.1		
Annual Percent Increase	-	9.2%	11.1%	3.0%	7.9%		

The next table uses the same data as above except the Schools expenditures have been zeroed out to magnify the changes in the other areas.



### 5-Year Forecasting

The Sub-Group will complete this work in the next phase for inclusion in the Final Report.

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## **2. Human Resources**

The current members of the Human Resources Expenditures Sub-Group are Paul Keegan, Kathleen Keohane, Dina Nichols, and Moira Miller.

**Data Collection.** Data was collected from a variety of sources including the Town Manager's office, the School Department Central Office, Western Suburban Health Group, Department of Revenue, other Massachusetts communities and various municipal and healthcare websites. Committee members conducted interviews with the following individuals:

Dan Morgado	Town Manager
Michael Hale	Assistant Town Manager
Patrick Collins	Business Services Director, School Department
Carol Cormier	West Suburban Health Group
	Town Benefits Coordinator
Mary Thompson	Town Accountant & Member of Retirement Board

Materials & resources reviewed include:

- Collective Bargaining Agreements for Police, Fire, Custodians and School employees
- Salary structures for municipal and school employees
- Healthcare benefit documents – plans, offerings, benefit policies, etc.
- Current and historical data for benefits costs
- DOR & various municipal online resources

### **Municipal Salary and Fringe Benefits (Excluding School Department)**

The Personnel Board, along with Dan Morgado (Personnel Director ex-officio) and Michael Hale, oversee and administer the personnel function for all municipal employees.<sup>1</sup> Their philosophy on compensation rates is to compensate employees at the median of comparable positions in surrounding communities. A compensation and classification study is conducted every five to seven years, the most recent study resulting in market adjustments for Department Heads (2%) in FY04 and Professional, Administrative and Technical staff (2%) in FY06.

Over the past three budget cycles (FY05-FY07), cost of living adjustments have averaged 3.0% for all municipal department employees. The total amount budgeted for compensation increases in FY07 was \$400,000. Most municipal employees are at the top step of their grade, resulting in no additional salary increases beyond the COLA adjustment.<sup>2</sup> With approximately 240 full time municipal employees, the total FY06

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<sup>1</sup> School Department employees are included in the School Expenditures section of this document.

<sup>2</sup> Police Superior Officers and Public Works (100%); Firefighters and Captains (97.2%); Department Heads (87.5%); PAT's (86%); Patrolmen (84.9%) at top step for FY07.

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budget for wages and salaries (excluding schools) was \$11,372,704 <sup>3</sup> or 14.63% of the operating budget.

Police, Fire, Public Works, Custodian and Dispatch union contracts expire June 30, 2007. Non-union salary adjustment recommendations put forth by the Personnel Board tend to mirror those of collective bargaining units, citing “fundamental fairness”.<sup>4</sup> The town’s continued support of wage increases has, to date, been successfully partnered with cost savings in other benefit areas, e.g. elimination of tuition assistance program, and participation in a municipal joint purchasing group for health insurance. This benefit reduction strategy must continue if the town intends on providing COLA increases. By means of comparison, the Teachers union recently negotiated a three-year contract including a 2%, 2.5%, 3.5% salary increase schedule (effective FY07). Will the town use this as a benchmark for upcoming union negotiations as well as non-union increases? This strategy has been effective to date, yet may be difficult to maintain in the years going forward.

Fringe benefits<sup>5</sup> i.e. vacation and sick time, longevity pay, educational incentive pay, etc. were reviewed for each job group. Educational incentive programs for police and fire are notable FY06 expenses, \$309,586 and \$34,038 respectively. In addition, the fire department budgeted \$46,800 for FY06 training stipends. Police do not offer training stipends. A brief analysis of other communities<sup>6</sup> indicates that most fire departments offer educational incentives. Training stipends were not surveyed by DOR so comparable data is not available. With regard to police departments, of the 351 communities in Massachusetts, 251 currently offer an educational incentive plan (Quinn Bill).<sup>7</sup>

All other fringe benefits seem reasonable at this time. A philosophical question might be raised as to how much vacation time one really needs, e.g. 5 weeks for employees with 20+ years, yet this appears to be the standard for most municipalities.

The police and fire department have struggled in recent years to try to contain sick and overtime costs. An alternative scheduling plan was implemented by the fire department to address these costs, and a final report on its effectiveness is due in January 2007. As for police, the addition of three new officers will attempt to curb that tide.

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<sup>3</sup> Per Report and Recommendations of Finance Committee for Town Meeting, May 16, 2005.

<sup>4</sup> April 5, 2006 memo from Personnel Board to Finance Committee and Board of Selectmen, RE: Personnel Board Recommendations FY07

<sup>5</sup> Fringe Benefits as defined for the report do not include health and pension benefits.

<sup>6</sup> DOR Salary Survey

<sup>7</sup> Per Alex Gediman, Board of Higher Education, Mass. Office of Student Financial Assistance

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**Health Benefits**

The Expenditure Committee is just beginning its analysis of benefit programs with a focus on the major expenditure area of employee and retiree healthcare. Since healthcare is a major component of the Town's budget, the ability to control healthcare costs directly impacts the availability of funds for other employee programs and/or town initiatives.

Based on the data research to date and preliminary analysis, it appears that the Town is making every effort within its control and influence to manage health benefit costs. It is important to note that some cost control options used in private sector business are not options for Shrewsbury because of restrictions placed on the Town by state regulations and bargaining unit contracts.

In any organization, it is a delicate balancing act to implement measures designed to control costs while also striving to maintain choice of service and quality of care for employees and retirees. Various measures have been instituted by the Town Manager some in partnership with municipal and school collective bargaining units. One notable example was the decision to modify employee and retiree health & welfare plan options when Shrewsbury joined the West Suburban Health Group (WSHG) in FY 2005. WSHG is one of the two largest municipal joint healthcare purchase groups in Massachusetts. Membership in WSHG provides Shrewsbury with healthcare purchasing advantages available to larger employers such as reduced cost margins and administrative expenses through volume pricing. WSHG membership also offers more stable and predictable premiums because the risk is pooled with other municipal employers.

In FY06 the amount spent on health insurance decreased from the previous year as illustrated in the following chart. \$6,075,000 is budgeted for health insurance expenditures in FY07.

<b>Fiscal Year</b>	<b>Amount Expended</b>
2006 *	\$5,376,598
2005	\$5,529,698
2004	\$4,483,109
2003	\$3,836,906
2002	\$2,991,004
2001	\$2,573,606
2000	\$1,879,964
1999	\$1,701,899
1998	\$1,637,322
* Member of WSHG	

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We note that the FY06 decrease is partly due to affiliation with the WSHG but is also the result of a change of policy whereby the School Department is now reimbursing the general fund for health care costs associated with the lunch, before school care and after school care program.

Another example of cost control measures is the Town's adoption of Chapter 32B, Section 18 (May 2005) requiring retirees who are Medicare eligible to take Medicare A & B and not remain on the Town's active plan. This will shift costs to the Federal government and will have some negative impact on some retirees depending on personal circumstances.

Adoption of Section 18 will also reduce the Town's unfunded liability for retiree health insurance that must be accounted for to comply with GASB 45. This is important because, beginning next year, local governments must identify and report the true cost of other post-employment benefits (OPEB), such as healthcare, much like they now report pension obligations. Rather than fund retiree benefits using a current cost basis, under the new requirement issued by the Government Accounting Standards Board (GASB 45), the Town will report this liability as a current cost during the working years of an employee. Failure to pre-fund this obligation may impact future borrowing costs, credit ratings and the overall financial health of the Town.

In spite of the efforts to manage expenditures, rising healthcare costs continue to be a pressing concern. If the state and nationwide trend for double-digit increases continues then healthcare costs will continue to grow at levels that may seriously affect the Town's ability to pay for the same level of employee and retiree benefits. What options might the Town have and what is the potential impact for both the Town and employees? If more of the healthcare premium costs are shifted to employees, at what point will increasing employee costs decrease the Town's ability to attract and retain quality workers? Should it allocate more funds to cover rising healthcare costs even if this means postponing or rejecting or reducing or eliminating current or new programs? Does the Town have an obligation to retired employees to continue their benefits at the same level as when they retired?

There are no cut and dry answers to these difficult questions but these are just some of the areas that are taken into consideration as the Town explores options for controlling and, where possible, reducing healthcare costs.

As the Committee continues its work, our analysis will be focused in three fundamental areas:

- **Plan Management** - Includes plan design, funding mechanisms, claims management, cost sharing strategies and administration
- **Vendor Management** - Contract terms, competitive pricing and service
- **Employee Health Management** - Preventative care incentives, wellness programs

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Pension

The following is a summary of preliminary analysis done to date:

*Town Contributory Retirement System*

Shrewsbury is one of the 107 contributory retirement systems for public employees in Massachusetts that is guided by Ch. 32. Although the Retirement Board operates semi-independently, there is a uniform set of rules governing benefits, eligibility, contributions, financing, and accounting. A five-member board and executive director administer the pension system.

There are two groups covered under the plan: Group 1, an administrative group, and Group 4, the police officers, firefighters, and SELCO linemen. The retirement system covers all town employees who work more than 20 hours per week *except* for school teachers, who are covered separately under Ch. 32<sup>8</sup>. Group 1 also includes classroom aides, school secretaries, cafeteria workers, and Housing Authority employees. In 1987, the retirement system instituted a by-law that pro-rated creditable service for part-time employees. There are currently 225 retirees including beneficiaries and disabled employees receiving pensions.

*Employee Contributions*

Employee contribution varies from 5 % to 9% plus 2 % of salary above \$30,000, depending upon salary and the date hired

*Fund Assets*

The fund assets of \$54,782,534 are managed by the Retirement Board with the advice of professional advisors to select and manage funds. The target rate of return is 8.5%.

*Unfunded Pension Liability*

In 1988, Ch. 32, Section 22d, Retirement System Funding Schedule, was amended to require that the pension fund be fully funded by 2020. The town is on an eighteen-year schedule to achieve full funding by 2028.

***Schedule of Assets and Unfunded Liability***

Year	Asset Value	Accrued Liability	Unfunded Liability	Funded Ratio
2006	\$54,147,807	\$75,979,393	\$21,831,496	71.3 %
2004	\$50,857,118	\$65,276,552	\$14,419,434	77.9
2002	\$46,779,157	\$59,312,723	\$12,533,566	78.9
2000	\$48,071,979	\$49,486,969	\$1,414,990	97.1

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<sup>8</sup> All teachers and school administrators are required to participate in the Massachusetts Teachers Retirement System, a state managed contributory retirement system. The MTRS does not incur any costs to the town budget, as funding is provided through employee contributions, ROI's and the state budget.

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While Shrewsbury's investment return has been good in comparison to other systems, increases in the number of employees has created a wider gap between accrued liabilities and the actuarial value of the investment portfolio. The number of employees has grown from 491 in 2000 to 651 in 2005. As the Town continues to grow, the need for additional staffing will widen the gap. The appropriation for pensions in FY2008 will be \$2,538,769, an increase of \$607,050 over FY2007, which will account for 60% of the total increase allowed under Proposition 2 ½ for FY2008. This increase is necessary to maintain the system on a full funding schedule by 2022.

Although the funding schedule could be pushed out to 2028 with lower contributions by the town, doing so may be shortsighted in view of the GASB 45 unfunded liability for retiree health insurance reporting requirement for next year.

*Alternatives to Community Retirement System*

The town was a member of the Pension Reserve Investment Trust (PRIT), an alternative to hiring a consultant, custodial bank and money managers, for five years and left in 1993 when the investments were losing money. The town still has five million invested in the PRIT fund as a "purchasing unit" in real estate.

The Pioneer Institute issued a recommendation earlier this year, suggesting that community pension plans consolidate into a single state entity, with the belief that a consolidated plan would get better returns, cut administrative costs, and improve oversight. However, given that Shrewsbury's average rate of return from 1985 to 2005 has been 10.42 % annualized and administrative costs are controlled, this may not be reasonable for our community at this time.

### **3. School Expenditures**

The current members of the School Expenditures Sub-Group are John Lukach, Alicia Howe, Andrew Carlson, Jim Kane and Peter Collins.

*School Expenditures Sub-Group Scope of Work:*

1. Examine and report on all school expenditures.
2. Analyze and report on trends in school expenditures.
3. Review school expenditure reports and determine if new and/or improved reports are needed.
4. Examine Shrewsbury's socioeconomic position.
5. Develop recommendations for cost containment.

*Data Gathering*

- School budget exhibits for FY2006 and FY2007.
- A printed copy of actual school budget expenditures for the past four years (2003 – 2006) provided by Patrick Collins, Director of Business Services.

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- Our group compiled population, socioeconomic and school statistics from state web sites of the Department of Revenue (DOR) and the Department of Education (DOE).
- Expired teachers' contract for 2003 – 2006.
- Teachers' pay scales in the new teachers' contract provided by Deborah Peeples.
- Expected additional annual cost of the new teachers' contract provided by Patrick Collins.
- Town Expenditures in Support of the Schools provided by the town manager.
- School administrative positions in some other towns.
- A detailed spreadsheet titled School 06 Recap recently provided by the town manager containing additional spending information,
- October 1, 2006 Enrollment Statistics by school and grade provided by Patrick Collins.
- Other school expenditures not included in the School Budget, e.g., Grants, Circuit-Breaker aid (requested but not yet received).
- Meetings held with Patrick Collins to review current school administration, teacher contract details, purchase of certain fixed assets, and various other items.

**Preliminary Analyses Performed to Date:**

*Actual expenditures by department and account, 2003 – 2006*

After transcribing a printed copy of the report of actual expenditures by department and account to a spreadsheet, we analyzed the data. As a result, we identified accounts for further analysis. Major areas include Administration, Teacher Salaries, Special Education, and Transportation. More targeted questions are also pending, such as major fluctuations in specific accounts.

Some of these exhibits have not been widely distributed until now. They are valuable tools in helping to understand and analyze total school expenditures.

*Comparative Socioeconomic Data on Other School Systems*

We compiled socioeconomic, population, and school statistics on Worcester County communities and some other selected Massachusetts communities from the Department of Revenue and the Department of Education websites for comparison with Shrewsbury. Data elements included populations, operating budgets, enrollments, median family incomes, total General Fund expenditures per capita, school expenditures, per pupil expenditures, and total residential and non-residential tax levies.

Our initial analysis shows that it is difficult to find towns that have similar populations and socioeconomic situations. For example, Shrewsbury is often compared to Westborough, but the analysis shows that not only does Westborough have a median family income over 20% higher than Shrewsbury, but Westborough also has a non-residential tax levy total of \$18 million that is \$13 million higher than Shrewsbury.

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Shrewsbury is also compared to Marlborough, and while Marlborough's median family income is 9% lower than Shrewsbury, Marlborough receives \$27 million more in non-residential tax levy than Shrewsbury. It would appear that Westborough and Marlborough both have financial advantages that Shrewsbury cannot expect to match.

Exhibit 1 shows these statistics for several towns that have often been used for comparison purposes. As noted above, the data indicates that most of these towns have median family incomes and/or tax levy components that are significantly different from Shrewsbury. This exhibit also shows the same data for some other Worcester County towns. Our analysis of this area continues.

**New Teacher's Contract**

The School Committee has indicated that it has finalized a new three year contract with the teachers union. The negotiated contract includes a 2%, 2.5%, 3.5% salary increase schedule effective FY07. The following chart shows preliminary estimates we obtained on the total dollar impact (step and scale increases) of the new contract on the school budget, assuming no changes in staffing levels and personnel, as follows (these are cumulative figures for the 3 year period):

		<b>Total Annual \$ Increase</b>	<b>Total Annual % Increase</b>
Base: 2005-2006		\$25.7 Million	~ 7%
Yr 1: 2006-2007 (contract, no step increases)		\$ 550,000	2.1%
Yr 2: 2007-2008 (contract and step increases)		\$1,400,000	5.3%
Yr 3: 2008-2009 (contract and step increases)		\$2,000,000	7.2%
Total 3 year Contract Increase		\$3,950,000	

We still have some additional analysis to perform. For example, we need to reconcile the \$25.7 Million base to the teacher salary accounts in the actual expenditures exhibit, which we were told include salaries of principals.

By comparison, the average wage index (AWI) exhibit of the Social Security Administration (SSA) reported that the national wage increase was 3.66% in 2005, the last year reported. In addition, the Bureau of Economic Analysis (BEA) compiles Personal Income by Metropolitan Area. For 2005 it reported that personal income in Worcester increased 3.3%, while the increase for Boston was 4.4%.

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Teacher's salaries are a large part of the total school budget. Assuming the contract numbers are correct, they could present a serious problem to the town if these increases become the standard that other school and town employees also expect. Annual salary increases for school and town employees that average 5% or more are not sustainable as long as property tax increases are limited to 2.5%.

*Details of Town Expenditures in Support of the Schools*

According to the town manager there apparently is some variability in what some towns include in this number when they report to the state. We need to understand what criteria Shrewsbury uses vs. other towns, how it affects per pupil expenditures, and whether it has any effect on state aid. We received some details from the town manager's office but have yet to review it. There may be in-kind contributions that the town does not get credit for.

*School Administrative Positions*

Shrewsbury Public Schools central office administration is comprised of five positions, including that of the Superintendent of Schools, Assistant Superintendent, and Directors of Business Services, Human Resources and Special Education. Shrewsbury High School, with an approximate population of 1550 students from grades 9 through 12, operates with a Principal and three Assistant Principals. Shrewsbury has two middle schools, each with approximately 950 students; grades 7 and 8 housed in one building, and grades 5 and 6 in the second. Each of these middle schools operates with a Principal and two Assistant Principals.

Shrewsbury has five elementary schools, including the Beal Early Childhood Center, which houses all kindergarten and some first grade classes. All except Floral Elementary operate with one principal, while Floral with a population of approximately 750 students has in addition an assistant principal. At the elementary level, the school department also employs seven instructional support specialists including a director and instructional coaches, which have replaced the curriculum specialists of past years. These individuals can be seen as instructional support in that they do not work directly with students, but rather are support staff for classroom teachers.

*October 1, 2006 Enrollment Statistics*

Enrollment in kindergarten through Grade 12 (excluding pre-kindergarten and out-of-district pupils) as of October 1, 2006 has been reported to the state at 5,728 vs. the comparable 2005 total of 5,688. Exhibit 2 summarizes enrollment changes since 2004 and compares actual 2006 enrollment to the enrollment estimate of May 2004.

The 2006 increase of only 40 follows a lower than expected increase of 131 last year, and current enrollment is 277 less than the total that the school department forecast for this year as recently as May, 2004. It is important to note that it is in the lower grades where the numbers have been lower than expected since these will also affect the higher grades in future years. The latest school enrollment projections now show total enrollment stabilizing at around 6,000 students through 2015, and there is some reason to believe

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that there may be some declines in enrollment. This reasoning is based on the fact that recent enrollments have been higher than projections made only 2 years prior, and since the methodology used to make these projections has not changed, it is plausible that the projections over the next several years may also be too high.

This may impact the need for a new elementary school, which is currently in the school department's plans. Decreased enrollment may also reduce the need for more school employees.

**Special Education**

Committee members Andrew Carlson and Jim Kane met with officials of the school department to gain an understanding of Special Education Programs provided through the Shrewsbury School Department. The objective is to obtain a concise and fact based explanation of special education programs, its statutory roots and practical implications to Shrewsbury's school department.

**Statutory Basis:**

- The current standard for educating students within the special education program is Free and Appropriate Public Education
- Federal and State law, and resulting regulations, establish thresholds to qualify for the program and shape the environment and standards for the level of education to be provided to the student
- Director of Special Education oversees teams of parents, teachers and other professionals who tailor an education program for students within the program, consistent with MA educational law. In order to provide an appropriate level of education, accommodations are made with in the education effort while seeking to give the student the greatest possible access to the curriculum. An example would be the use of book on tape rather than expecting a dyslexic student to read a book
- Students in the program are educated within the school district or through out of district placements in private schools depending on the students needs
- Where possible, special needs students are educated with in the classroom with typical students to maximize learning opportunities for both sets of students

**Practical Implications to the System:**

- As of October 2006, Shrewsbury Public Schools are serving 995 special education students, or 16% of the school population.
- Of the 995 students, 62 students are schooled in out of district placements due to the severity or complexity of their educational needs
- Out of district placements have doubled in the past five years
- Tuitions range from \$20,000 to \$155,000 per student costing the system \$3.4 million
- In an effort to both provide a quality education and manage costs, Shrewsbury has internalized certain educational programs for specifically impaired

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children (e.g., education for children with certain autism-spectrum disorders). Currently, 29 students are served by this in-district program. Providing this level of education in district results in a current year savings of \$31,110 per child

- Shrewsbury provides these services with teachers where necessary, and with aides, and with other specially trained staff. The district successfully seeks to have services provided by appropriate personnel (e.g., a teacher will not provide a service when it can be appropriately provided by an aide)

**Where do we stand?**

- According to the Mass Dept of Education, 18.5% of the total Shrewsbury School Dept budget is spent on Special Education programs compared with a statewide impact of 18.9%

**Summary Findings:**

- Municipal officials are caught between Federal and State statutes and regulations mandating certain levels of performance and doing so with out corresponding sources of funding
- Special education costs are by their nature expensive. Shrewsbury has sought to provide a quality, appropriate education for this population of students while seeking to manage those costs
- Special Education staff consults with legal counsel regularly to ensure Federal and State statutory requirements are followed appropriately, particularly in the context of conflicting regulations

*Other School Expenditures not included in School Budget e.g., Circuit-Breaker, Grants*

This is the final piece in the puzzle that is total school expenditures. The school budget and the town services in support of the school are the two largest sources of school spending, by far, but circuit-breaker aid and grants are also significant sources for the school department.

This information is available in the Town Report and we will use it to put together an exhibit showing all sources of school spending.

*Analysis of Transportation Expenditures*

This analysis is in progress.

**4. Capital Expenditures Including Bonded Debt**

This area is under review and will be included in the Final Report

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**Exhibit 1**

Massachusetts Dept of Revenue  
Division of Local Services  
Municipal Data Bank/Local Aid Sect

Massachusetts Department of Ed  
Office of School Finance

**Comparison Criteria Report**

			Socio-Economic Measures					Town Statistics		FY05 Per Pupil Expenditure Day Programs		
DOR Code	Municipality	2004 Estimated US Census	1999 Median Family Income	Residential Tax Levy \$	2006 Total Non-Residential Tax Levy	2006 Total Tax Levy	2006 Non-Residential as % of Total	FY06 Operating Budget	Total 2005 General Fund Expenditures Per Capita	Grades	Total Expenditures	N of Pupils (FTE Average Membership)
271	SHREWSBURY	33,161	77,674	38,039,674	5,174,841	43,214,515	12.0%	84,716,869	2,134	K-12	43,431,717	5,695
<u>Assabet Valley Collaborative Towns</u>												
141	HUDSON	18,726	70,145	20,266,103	8,772,463	29,038,566	30.2%	51,362,560	2,402	K-12	24,733,580	2,713
170	MARLBOROUGH	37,699	70,385	40,262,394	31,919,166	72,181,560	44.2%	113,464,777	2,136	K-12	46,899,757	4,810
174	MAYNARD	10,322	71,875	14,712,793	3,832,474	18,545,267	20.7%	29,831,036	2,723	K-12	13,057,612	1,378
328	WESTBOROUGH	18,737	94,610	30,116,450	18,472,957	48,589,407	38.0%	75,116,115	3,152	K-12	33,858,418	3,513
<u>Wachusett</u>												
215	NORTHBOROUGH	14,320	90,480	22,996,770	5,703,879	28,700,649	19.9%	40,909,482	2,476	K-08	16,309,902	1,983
277	V SOUTHBOROUGH	9,549	119,454	22,212,878	4,420,600	26,633,478	16.6%	38,611,927	3,367	K-08	13,632,549	1,624
<u>Other Towns Compared to Shrewsbury</u>												
101	FRANKLIN	30,192	81,826	33,885,538	8,643,798	42,529,336	20.3%	97,794,917	2,499	K-12	46,562,553	5,969
198	NATICK	32,113	85,715	48,312,860	12,856,402	61,169,262	21.0%	100,785,887	2,635	K-12	41,357,675	4,542
317	WELLESLEY	26,515	134,769	64,422,675	7,360,966	71,783,641	10.3%	105,013,986	3,024	K-12	42,789,933	4,385
<u>Some Other Worcester County Towns</u>												
017	AUBURN	16,381	60,805	14,959,438	10,712,643	25,672,081	41.7%	39,376,199	2,146	K-12	19,338,917	2,302
110	GRAFTON	16,297	66,396	18,988,208	1,564,282	20,552,490	7.6%	39,272,070	1,827	K-12	19,166,705	2,549
134	HOLDEN	16,595	73,614	22,574,628	1,290,700	23,865,328	5.4%	39,126,176	1,820	* K-12	48,962,386	7,015
151	LEICESTER	10,904	64,202	8,904,180	675,953	9,580,133	7.1%	24,271,679	2,002	K-12	14,400,485	1,903
185	MILFORD	27,410	61,029	28,683,568	12,631,982	41,315,550	30.6%	67,806,951	2,159	K-12	34,279,344	4,163
186	MILLBURY	13,376	62,564	13,037,985	2,876,031	15,914,016	18.1%	31,923,050	1,875	K-12	15,770,876	1,948
216	NORTHBRIDGE	13,882	62,095	12,141,671	1,329,391	13,471,062	9.9%	38,751,600	2,320	K-12	20,832,887	2,581
290	SUTTON	8,878	81,000	11,526,913	1,075,326	12,602,239	8.5%	23,312,230	2,279	K-12	12,651,564	1,691
304	UXBRIDGE	12,243	70,068	14,704,020	1,732,096	16,436,116	10.5%	36,163,995	2,354	K-12	16,481,627	2,131
316	WEBSTER	16,880	48,898	11,544,008	3,166,435	14,710,443	21.5%	34,709,066	1,578	K-12	15,579,655	1,813

\* Combined with 3 other towns

**Report of the Shrewsbury Fiscal Study Committee  
Expenditures Subcommittee**

**Exhibit 2**

Shrewsbury Enrollment by Grade  
K - 12 (excludes Pre-K and Out-of-District Pupils)

<u>Grade (a)</u>	<u>Oct. 1, 2004</u>	<u>Oct. 1, 2005</u>	<u>Incr/(Decr) 05 vs. 04</u>	<u>Oct. 1, 2006</u>	<u>Incr/(Decr) 06 vs. 05</u>	<u>Incr/(Decr) 06 vs. 04</u>	<u>May 2004 Estimate (Over)/Under for 2006 (b) Estimate</u>
K	384	394	10	378	(16)	(6)	408 (30)
1	449	452	3	440	(12)	(9)	500 (60)
2	489	466	(23)	468	2	(21)	514 (46)
3	464	502	38	452	(50)	(12)	497 (45)
4	504	466	(38)	507	41	3	528 (21)
Total 1 - 4	1,906	1,886	(20)	1,867	(19)	(39)	2,039 (172)
5	463	502	39	462	(40)	(1)	500 (38)
6	492	461	(31)	488	27	(4)	505 (17)
7	444	486	42	449	(37)	5	482 (33)
8	441	443	2	501	58	60	512 (11)
Total 5 - 8	1,840	1,892	52	1,900	8	60	1,999 (99)
9	413	425	12	408	(17)	(5)	395 13
10	360	402	42	436	34	76	395 41
11	334	345	11	388	43	54	395 (7)
12	320	344	24	351	7	31	374 (23)
Total 9 - 12	1,427	1,516	89	1,583	67	156	1,559 24
Total K - 12	5,557	5,688	131	5,728	40	171	6,005 (277)

Notes:

(a) Current Alignment of School Buildings is Elementary School Grades 1 - 4 and Middle School Grades 5 - 8.

(b) Source: School FY05 Budget Request Revision 2 presented to Town Meeting May 17, 2004.